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'Bank NPAs set to rise, deposit growth outpacing credit flow'

SPECIAL CORRESPONDENT
MUMBAI, JUNE 05, 2021
THE HINDU

'Expansion in credit in FY21 was the lowest in four years'

Gross non-performing asset (GNPA) ratios of scheduled commercial banks (SCBs) are expected to shoot up in the coming quarters, according to data compiled by BCT Digital. This is despite the regulatory interventions to provide relief to both borrowers and lenders in the wake of the pandemic.

The GNPA for the banking system was at 7.5% in September 2020, an improvement from pre-pandemic levels, and coming after the asset quality review mandated by the regulator. This number is expected to shoot up to 13.5% in a base-case scenario and 14.8% in an extreme scenario by September 2021 as per RBI's assessment in the latest Financial Stability Report (FSR), said Jaya Vaidhyanathan, CEO of BCT Digital, which helps banks manage risk.

"For public sector banks, GNPAs are expected to zoom from 9.7% in September 2020 to 16.2% and 17.6% in the base case and extreme scenarios, respectively, by September 2021," she added. Though banks were adequately capitalised as on March 31, 2021, RBI Governor Shaktikanta Das on Friday re-emphasised the need for banks to build capital buffers. "Building adequate provisioning and capital buffers, together with sound corporate governance in financial entities, have become much more important than ever before, more so in the context of banks and NBFCs being at the forefront of our efforts to mitigate the economic impact of COVID-19," he said. Meanwhile as per data from the Financial Stability Report bBanks' credit and deposit growths are seen moving in opposite directions. While bank customers are found to be getting worried about their future and are saving aggressively, banks, though flush with cash, are not comfortable not seen comfortable to lending, according to analysts.

As per data that BCT Digital has collated from RBI's latest Financial Stability Report, the September 2015 quarter saw year-on-year (YoY) credit growth of 9.4%.

It which reduced declined to 8.8% in March 2016, the first quarter after the asset quality review was mandated. In March 2017, YoY credit growth slowed sharply to 4.4% while September 2019 saw 8.7% growth. Credit grew 5.9% and 5%, in March and September 2020, respectively.

Deposit growth, however, has quickened. September 2015 saw YoY deposit growth of 9.9% while March 2016 and March 2017 posted 8.1% and 11.1%, respectively. Growth was 10.2%, 8.6% and 10.3% in September 2019, March 2020 and September 2020. "A simple comparison of deposit and credit growth rates in this period tells us that banks are flush with funds but are simply too scared to lend," said Ms. Vaidhyanathan.

"As on September 2020, the banking system recorded abysmal credit growth of only 5% YoY despite the relief package announced, while deposit growth has been recorded at 10.3%. This means that customers are worried about their future and are saving aggressively. This trend continued through March 2021 as well, with credit growth of 5.6% and deposit growth of 12.3% YoY," she said.

Care Ratings recently said FY21 credit growth was the lowest in 4 years as lenders and borrowers have remained risk averse due to the pandemic-led uncertainty.

Labour codes: Workers to see reduction in take-home pay, companies' Provident Fund liability to go up

PTI | June 06, 2021

THE FINANCIAL EXPRESS

Once the wages code comes into force, there will be significant changes in the way basic pay and provident fund of employees are calculated

The four labour codes are likely to see the light of day in a couple of months as the Centre is now keen to go ahead with the implementation of these laws, which among others will result in reduction in take-home pay of employees and higher provident fund liability of companies.

Once the wages code comes into force, there will be significant changes in the way basic pay and provident fund of employees are calculated. The labour ministry had envisaged implementing the four codes on industrial relations, wages, social security and occupational health safety & working conditions from April 1, 2021. These four labour codes will rationalise 44 central labour laws.

The ministry had even finalised the rules under the four codes. But these could not be implemented because many states were not in a position to notify rules under these codes in their jurisdiction. Labour is a concurrent subject under the Constitution of India and therefore both the Centre and states have to notify rules under these four codes to make them the laws of the land in their respective jurisdictions.

"Many major states have not finalised the rules under four codes. Some states are in the process of finalising rules for the implementation of these laws. Central government cannot wait forever for states to firm up rules under these codes. Therefore it is planning to implement these codes in a couple of months as some time would have to be given to establishments or firms to align with new laws," a source told PTI.

According to the source, some states had already circulated the draft rules. These states are Uttar Pradesh, Bihar, Madhya Pradesh, Haryana, Odisha, Punjab, Gujarat, Karnataka and Uttarakhand. Under the new wages code, allowances are capped at 50 per cent. This means half of the gross pay of an employee would be basic wages. Provident fund contribution is calculated as a percentage of basic wage, which includes basic pay and dearness allowance.

The employers have been splitting wages into numerous allowances to keep basic wages low to reduce provident fund and income tax outgo. The new wages code provides for provident fund contribution as a prescribed proportion of 50 per cent of gross pay.

After the implementation of new codes, the take-home pay of employees would reduce while provident fund liability of employers would increase in many cases. Once implemented, employers would have to restructure salaries of their employees as per the new code on wages.

Besides, the new industrial relation code would also improve ease of doing business by allowing firms with up to 300 workers to go ahead for lay-offs, retrenchment and closure without government permission. At present all firms with up to 100 employees are exempted from government permission for lay-off, retrenchment and closure.

BoB's Board approves setting off accumulated losses of Rs 11,048 crore

Our Bureau Mumbai | June 06, 2021

THE HINDU BusinessLine

Capital adequacy ratio (CAR) of bank is likely to decline due to the off-setting of the accumulated losses

The Board of Directors of Bank of Baroda (BoB) has given its nod to set off the bank's accumulated losses of Rs 11,048.44 crore as at March-end 2021 by utilizing an equivalent amount standing to the credit of the Share Premium Account (SPA).

The set off of the accumulated losses against SPA will be taken into account during current Financial year 2021-22, subject to necessary approval from shareholders and prior permission from the Reserve Bank of India (RBI), the public sector bank said in an exchange filing on Saturday.

Bankers opine that the aforementioned exercise will present the true and fair view of the Bank's financial position. It will not affect any ratios such as book value per share, Return on Equity (ROE), Earning per share (EPS).

As the proposed exercise would be deemed to be a capital reduction, approval of the Bank's shareholders by way of a Special Resolution will have to be sought.

Analysts, however, say the capital adequacy ratio (CAR) of banks will decline due to the setting-off of the accumulated losses at one go.

Besides common shares, statutory reserves, and capital reserves, among others, share premium is one of the important components of Common Equity Tier 1 Capital.

India slips two spots to rank 117 on 17 Sustainable Development Goals adopted as 2030 agenda: Report

PTI | June 06, 2021
THE FINANCIAL EXPRESS

India's rank has slipped by two places from last year to 117 on the 17 Sustainable Development Goals (SDGs) adopted as a part of the 2030 agenda by 193 United Nations member states in 2015, a new report has said

India ranks below four South Asian countries

India's rank has slipped by two places from last year to 117 on the 17 Sustainable Development Goals (SDGs) adopted as a part of the 2030 agenda by 193 United Nations member states in 2015, a new report has said. The State of India’s Environment Report 2021 revealed that India’s rank was 115 last year and dropped by two places primarily because major challenges like ending hunger and achieving food security (SDG 2), achieving gender equality (SDG 5) and building resilient infrastructure, promoting inclusive and sustainable industrialisation and fostering innovation (SDG 9) remain in the country.

India ranks below four South Asian countries — Bhutan, Nepal, Sri Lanka and Bangladesh, it said. The overall SDG score of India is 61.9 out of 100. Elaborating state-wise preparedness, the report said Jharkhand and Bihar are the least prepared to meet the SDGs by 2030, which is the target year. While Jharkhand lags in five of the SDGs, Bihar lags in seven.

It said the states/UTs with the best overall score which are on the path to achieving the SDGs are Kerala, Himachal Pradesh and Chandigarh. The 2030 Agenda for Sustainable Development, was adopted by all United Nations Member States in 2015, which provides a shared blueprint for peace and prosperity for people and the planet, now and into the future.

There are 17 SDGs which are an urgent call for action by all countries – developed and developing – in a global partnership.
The 17 SDGs adopted by UN member states are SDG1- no poverty, SDG 2-zero hunger, SDG3-good health and well-being, SDG4- quality education, SDG 5- gender equality, SDG 6- clean water and sanitation, SDG 7- affordable and clean energy, SDG 8 decent work and economic growth, SDG 9- industry, innovation and infrastructure.

SDG 10 reduced inequalities, SDG 11- sustainable cities and communities, SDG 12- responsible consumption and production, SDG 13- climate action, SDG 14- life below water, SDG 15- life on land, SDG 16- peace, justice and strong institutions and lastly SDG 17- strengthening global partnerships for the goals.

The report also said that India ranked 168 out of 180 countries in terms of Environmental Performance Index (EPI) which is calculated on various indicators, including environmental health, climate, air pollution, sanitation and drinking water, ecosystem services, biodiversity, etc.

India's rank was 172 in the environmental health category, which is an indicator of how well countries are protecting their populations from environmental health risks.

According to the EPI 2020 report by Yale University, India ranked 148, 21 positions behind Pakistan which was at 127th position in the category of biodiversity and habitat which assesses countries' actions toward retaining natural ecosystems and protecting the full range of biodiversity within their borders.

PMC Bank receives 1,229 applications for deposit withdrawal

Our Bureau Mumbai | June 06, 2021
BusinessLine

The withdrawals are meant for treatment of Covid-19

The administrator of the scam-hit Punjab and Maharashtra Co-operative (PMC) Bank received 1,229 applications for withdrawal of deposits specifically for treatment of Covid-19 illness.

These applications were received since April 16, 2020, when the Reserve Bank of India (RBI) allowed withdrawals up to Rs 5 lakh for treatment of critical illness under medical hardship ground, including Covid-19.

As per the affidavit filed by the Administrator in the Delhi High Court in the matter relating to Bejon Kumar Misra versus Union of India and others, of the aforementioned applications, 419 were received from March 15, 2021 till May 24, 2021.

PMC Bank's Administrator AK Dixit stated that all the applications have been duly processed and approved by him as per RBI's directions.

The administrator submitted that extension of present directions (issued by RBI with effect from the close of the bank's business on September 23, 2019) has been done for financial reasons, owning to prevailing conditions and to preserve scarce resources of the bank till the time its resolution is achieved.

As per the affidavit, the financial condition of PMC Bank continues to be precarious, with its liquidity position not improving enough to allow much room for enhancement of withdrawal limit.

Further, the bank also needs to maintain bare minimum liquidity to run as a going concern and to make itself viable for prospective investors for any takeover/ merger. The resolution efforts also are at advanced stages, the affidavit said.

By virtue of the enhanced withdrawal limit of Rs 1 lakh (upped from Rs 50,000 on June 19, 2020), more than 84 per cent of the depositors of the Bank will be able to withdraw their entire account balance, according to the administrator.

However, depositors have been allowed to withdraw up to Rs 5 lakh on hardship grounds for treatment of terminal illnesses, including treatment of Covid-19.

The Centrum Capital and BharatPe combine are believed to be the front runners to takeover PMC Bank.

The Bank has been under RBI directions for over 20 months now and depositors, especially senior citizens, have been finding it difficult to make ends meet. Deposit withdrawal has been capped at Rs 1 lakh per depositor during the entire period the bank is under directions.

Govt employees forum wants ex gratia, jobs for officials succumbing to Covid

A similar request has been made by the All India Banking Employees Association (AIBEA) that has asked the government to ensure that rules are relaxed for appointments on compassionate grounds

Hindustan Times

By Smriti Kak Ramachandran JUN 04, 2021

A forum of central secretariat officers has urged the Union government to provide ex gratia of ₹1 crore and relax the rules for providing jobs to the dependent next of kin as immediate relief for the families of government officials who lost their lives in the pandemic.

As per a list provided by the central secretariat services forum (CSS), a representative body of central secretariat service officers, 60 officials in various government departments have lost their lives during the second wave of the pandemic. As many as 119 officials working in the Central Board of Direct Taxes and 110 in the Central Board of Indirect Taxes have also lost their lives to the pandemic, as per government sources.

The **All India Bank Employees Association (AIBEA**) that also has asked the Centre to ensure that rules are relaxed for appointments on compassionate grounds. AIBEA general secretary CH Venkatachalam said there have been about 1,400 casualties in the banking sector since the pandemic began in 2020.

In a letter to department of personnel & training minister Jitendra Singh on May 26, the CSS forum said, "As per official figures reported in India till now, 0.03% of citizens of age 21 and above have died due to Covid-19 whereas a whopping 0.6% of CSS offices have died due to Covid 19 till date, which is 20 times of the national average."

Seeking a relaxation in rules for appointment, it said there is already a long list of requests for compassionate appointments which are pending with almost all department heads in different ministries and departments.

A member of the CSS union said since there is no provision of ex gratia for civil servants like in the armed forces; families can only get help on the basis of family pension, gratuity, insurance etc. "Taking cognisance of delays in release of terminal benefits to families of the deceased particularly in states, the union had urged the process to be expedited," the member said.

An official aware of the details said while the government is working to expedite the release of terminal benefits, there is little it can offer by way of jobs on compassionate ground. "As per a Supreme Court order, jobs on compassionate grounds cannot exceed 5% of the total direct recruitment quota. Such jobs are limited to group C. The vacancies that have arisen are across levels and some are at senior positions... It may not be possible for fill these on compassionate grounds," the official said.

AIBEA's Venkatachalam said the federation wants the banks to relax the rules for compassionate appointment and also ensure the vacancies are filled within a month. He also said while the banks had decided to give ₹20 lakh as compensation to those who died in service, it is not being uniformly implemented across private sector banks. He said that the guidelines for bank employees are not extended to those in contractual service, business correspondents, deposit collectors, and those who are engaged in gold appraising. "There is also a need to declare bank employees as frontline workers and expedite their vaccination," he added.

Last month, the finance ministry directed all the government departments to settle all claims on a priority basis for those employees who died on account of Covid while in service.

The first official quoted above said that since 2016, there is a specific instruction to the Employees' Provident Fund (EPF) that "all death case claims submitted by families or legal heirs of the EPF members have to be settled within seven days from the date of submission of the claims. In some cases, this is not followed, sometimes it is owing to inconsistencies in the claims."

The Union ministry of labour and employment also announced on May 31 that members of the Employees' Provident fund Organisation can take a second non-refundable Covid-19 advance to meet any financial exigency during the pandemic. EPF subscribers can take a non-refundable advance of basic wages plus dearness allowance for three months or after 75% of the amount in their account, whichever is lesser.

9.27 lakh severely acute malnourished children identified till November last year: RTI

PTI

NEW DELHI, JUNE 06, 2021

THE HINDU

WHO defines 'severe acute malnutrition' by very low weight-for-height or a mid-upper arm circumference less than 115 mm, or by the presence of nutritional oedema

The identification of SAM children was done by over 10 lakh Anganwadi centres from across the country

More than 9.2 lakh children in India are 'severely acute malnourished', with the most in Uttar Pradesh followed by Bihar, according to government data, underscoring concerns that the COVID-19 pandemic could exacerbate the health and nutrition crisis among the poorest of the poor.

An estimated 9,27,606 ‘severely acute malnourished’ children from six months to six years were identified across the country till November last year, the Women and Child Development Ministry said in response to an RTI query from *PTI*.

Of these, Uttar Pradesh counted for 3,98,359 and Bihar 2,79,427, according to the figures shared by the ministry. Ladakh, Lakshadweep, Nagaland, Manipur and Madhya Pradesh reported no severely malnourished children.

Except for Ladakh, none of the anganwadi centres in the other four, including Madhya Pradesh, one of India's largest states, reported any data on the matter, according to the RTI reply.

The World Health Organisation (WHO) defines ‘severe acute malnutrition’ (SAM) by very low weight-for-height or a mid-upper arm circumference less than 115 mm, or by the presence of nutritional oedema. Children suffering from SAM have very low weight for their height, and are nine times more likely to die in case of diseases due to their weakened immune system.

The Women and Child Development Ministry had last year asked all states and union territories to identify SAM children for their early referral to hospitals. The figure of 9,27,606 came following that exercise.

The worry is that the numbers could not just be an underestimation but also rise in view of the ongoing pandemic with fears that the third wave could impact children more than others.

“There is rise in unemployment, there is rise in an economic crisis which is bound to have repercussions on hunger and when there is hunger there will be malnutrition. The government has a clear cut protocol and they need to ramp that up,” said Enakshi Ganguly, co-founder of the HAQ Center for Child Rights.

While Uttar Pradesh and Bihar top the list for SAM children, they are also home to the highest number of children in the country. According to 2011 census data, Uttar Pradesh has 2,97,28,235 children aged 0-6 years while Bihar has 1,85,82,229.

According to the RTI response, Maharashtra reported 70,665 SAM children followed by Gujarat at 45,749, Chhattisgarh at 37,249, Odisha at 15,595, Tamil Nadu at 12,489, Jharkhand at 12,059, Andhra Pradesh at 11,201, Telangana at 9,045, Assam at 7,218, Karnataka at 6,899, Kerala at 6,188 and Rajasthan at 5,732.

The role of anganwadi centres

The identification of SAM children was done by over 10 lakh Anganwadi centres from across the country.

Ms.Ganguly stressed on the role of anganwadi centres in helping improve the nutrition status of the children.

"The anganwadis have to become much more functional and if the possibility of children reaching anganwadis is going to become hard because of lockdowns, then the anganwadis need to reach the children. So what are the plans for that?" she asked.

"Malnutrition will be a huge comorbidity… if what they are saying that children will be affected more in the next wave holds true, then malnutrition will be a huge comorbidity and how are they going to address that?" asked Dola Mohapatra, executive director, Rise Against Hunger India.

Mr. Mohapatra agreed that COVID-19 could further exacerbate the situation with shrinking food diversity and low intake combined with episodes of missing food at times. He said solutions have to be both home-based care and facility-based care.

"Since SAM has direct connection with food availability, utilisation and awareness – the immediate task is to appropriately build linkages with the government systems to ensure families receive not just ration/food, but required education and support," he said.

Wasting is low weight for their height among children, reflecting acute undernutrition

"COVID-19 has been a big impediment in organising community based interventions, so new ways/methods to disseminate info to the mothers and caregivers have to be found out," he said.

Mr. Mohapatra also stressed on the need to strengthen Nutrition Rehabilitation Centres (NRCs) which are meant to treat SAM cases, "There are studies that suggest that NRCs have not been very effective. In many cases, we have seen that SAM cases have been discharged early because either the centre could not continue to keep the same case for a continued period, or the caregivers could not stay for a longer duration at the facility, or there was simply not enough supervision by the higher ups."

He also stressed on the need for designing customised menus in consultation with experts for SAM cases and formulating guidelines.

"For administrative and operational convenience, as well as for better accountability, SAM cases could be segregated into smaller units and responsibility to manage/coordinate and monitor smaller units could be handed over to independent entities such as medical colleges, local NGOs, women's collectives – under the overall guidance of the District/Block health staff," Mr. Mohapatra said.

National Family Health Survey figures

While data is not updated year on year, the last available figure of SAM children is from National Family Health Survey-4 (NFHS-4) in 2015-16 according to which prevalence of severe acute malnutrition among children was reported at 7.4%.

NFHS-4 gathered information from 601,509 households, 699,686 women, and 112,122 men. Information on 265,653 children below age 5 has been collected in the survey NFHS-5, released in December last year, which gave figures for 22 states and UTs also presented a grim scenario.

It said malnutrition increased among children in 2019-20 from 2015-16 in 22 states and UTs.

Around 13 states and UTs out of the 22 surveyed recorded a rise in percentage of children under five years who are stunted in comparison to 2015-16; 12 states and UTs recorded a rise in percentage of children under five years who are wasted; 16 states and UTs recorded a rise in the percentage of children under five years who are severely wasted and underweight in 2019-20. The NFHS-5 was conducted on 6.1 lakh sample households.

Wasting is low weight for their height among children, reflecting acute undernutrition. Wasting is a strong predictor of mortality among children under five years of age.

To tackle high persistence of malnutrition in the country, the Centre launched the Poshan Abhiyan programme in 2018 to reduce low birth weight, stunting and undernutrition and anaemia among children, adolescent girls and women.

G7 nations reach historic deal to tax big multinationals

REUTERS
LONDON, JUNE 05, 2021
THE HINDU

Britain's finance ministry said on Saturday that the morning's talks between the G7 finance ministers had been "productive"

The Group of Seven said it would back a minimum global corporation tax rate of at least 15%

A group of the world's richest nations reached a landmark deal on Saturday to close cross-border tax loopholes used by some of the world's biggest companies.

The Group of Seven said it would back a minimum global corporation tax rate of at least 15%, and put in place measures to ensure taxes were paid in the countries where businesses operate.

“After years of discussion, G7 finance ministers have reached a historic agreement to reform the global tax system to make it fit for the global digital age,” British finance minister Rishi Sunak told reporters.

The accord, which could form the basis of a global pact next month, is aimed at ending a decades-long “race to the bottom” in which countries have competed to attract corporate giants with ultra-low tax rates and exemptions.

That has in turn cost their public coffers hundreds of billions of dollars - a shortfall they now need to recoup all the more urgently to pay for the huge cost of propping up economies ravaged by the coronavirus crisis.

Ministers met face-to-face in London for the first time since the start of the COVID-19 pandemic.

According to a copy of the final agreement seen by Reuters, the G7 ministers said they would “commit to a global minimum tax of at least 15% on a country by country basis”.

“We commit to reaching an equitable solution on the allocation of taxing rights, with market countries awarded taxing rights on at least 20% of profit exceeding a 10% margin for the largest and most profitable multinational enterprises,” the text added.

The ministers also agreed to move towards making companies declare their environmental impact in a more standard way so investors can decided more easily whether to fund them, a key goal for Britain.

Rich nations have struggled for years to agree a way to raise more revenue from large multinationals such as Google, Amazon and Facebook, which often book profits in jurisdictions where they pay little or no tax.

U.S. President Joe Biden's administration gave the stalled talks fresh impetus by proposing a minimum global corporation tax rate of 15%, above the level in countries such as Ireland but below the lowest level in the G7.

Punjab National Bank to pick up stake in bad bank

PTI
NEW DELHI, JUNE 05, 2021

THE HINDU

Tags Rs.8,000 cr. for 1st-tranche transfer

Punjab National Bank (PNB) on Saturday said it will pick up a stake in the National Asset Reconstruction Company Ltd. (NARCL) and has identified NPAs worth Rs.8,000 crore to be transferred to the proposed bad bank for resolution.

"NARCL is being formed by all the banks whereupon some of the NPA advances will be transferred to that ARC for recovery," MD S.S. Mallikarjuna Rao said.

In the first tranche, roughly Rs.8,000 crore is identified to be transferred to NARCL, he said.

On a recent order by the special Prevention of Money Laundering Act (PMLA) court on Kingfisher Airlines, Mr. Rao said the bank had not much outstanding and PNB will get its share based on the sales proceeds.

The bank said it was expecting an almost threefold jump in its net profit to Rs.6,000 crore in the current financial year as the consolidation process was over.